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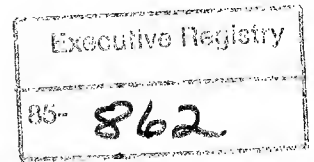
Executive Director

NOTE FOR: Gary Schmitt
Executive Director, PFIAB

FROM: Executive Assistant/Executive
Director

Per your request for
here are Bob Gates' statements to the
JEC on the allocation of resources in
the Soviet Union and China - 1984.

Attachments



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STATEMENT BY

ROBERT GATES

DEPUTY DIRECTOR FOR INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

ON

THE ALLOCATION OF RESOURCES IN
THE SOVIET UNION AND CHINA - 1984

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE, FINANCE,
AND SECURITY ECONOMICS

OF THE

JOINT ECONOMIC COMMITTEE
UNITED STATES CONGRESS

November 21, 1984

22 February 1985

CIA ANALYSIS SHOWS SOVIET DEFENSE SPENDING EXCEEDS THAT OF U.S.

The Joint Economic Committee on 21 February released CIA testimony of last November on the Soviet economy. The testimony was not on Soviet military capabilities. Because the information released by the Committee presents a narrow view of Soviet military growth, the Central Intelligence Agency wishes to emphasize the broader context of its testimony and to convey a more balanced--though still partial--picture of the Soviet military buildup.

As CIA noted publicly in November 1983, the cost of defense activities has exceeded that of the United States by a large margin, despite a decline in the rate of growth. The dollar cost of Soviet defense activities in 1981--in the middle of this period of decline--was some 45 percent greater than for the U.S.; procurement costs alone were some 45 percent larger. While this margin has narrowed with the growth in U.S. defense spending, the Soviets still outspend the U.S. overall and in important specific categories by substantial margins. CIA also stressed in last November's testimony evidence of an upturn in Soviet defense spending in 1983.

CIA has repeatedly emphasized that trends in Soviet military spending are not a sufficient basis upon which to form judgments about Soviet capabilities. The rate of increase in spending estimates does not give an appreciation of the large stocks of strategic and conventional weapon systems deployed by the Soviets during the past decade.

As the testimony states, current Soviet levels of spending are so high that despite the procurement plateau, Soviet forces received in the years 1977 through 1983 a total of 1,100 ICBMs, more than 700 SLBMs, 300 bombers, 5,000 fighters, some 15,000 new tanks, and substantial numbers of new additional major surface combatants, nuclear powered ballistic missile submarines, and attack submarines. During the same period, the U.S. added to its inventory 135 ICBMs, 390 SLBMs, no bombers, 3,000 fighters, 5,000 tanks, and 106 major warships. The attached charts illustrate the extent to which Soviet military costs, equipment deliveries and military manpower exceed those of the U.S.

Soviet efforts to develop advanced weapon systems continue in the 1980s at least at the rapid pace of the previous two decades. Among these weapons are fighter and airborne control aircraft, ballistic and cruise missiles, space systems and submarines. The new systems cover the full range of technologically advanced weaponry the Soviets will need to modernize all their forces.

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FOR IMMEDIATE RELEASE

25 February 1985

Statement by Robert Gates
Chairman, National Intelligence Council
and
Deputy Director for Intelligence, CIA

My testimony of 21 November 1984 before the Joint Economic Committee of the Congress is being portrayed as setting forth a major split between CIA and the Department of Defense on the Soviet military effort. This is not correct.

My testimony three months ago was on the overall performance of the Soviet economy. It is wholly unjustified to draw any conclusions about Soviet military capabilities past, present, or future from that testimony. As I told the Committee, the best measure of Soviet military capabilities for use by US decision-makers is what the Soviets actually have bought, are deploying and are developing -- rather than an artificial reconstruction of what it cost them (and which has value only when used as an analytical tool by experts who understand its very significant limitations). Our knowledge of Soviet military procurement -- what they produce and how they deploy it -- is far more precise and reliable than our estimates of Soviet military spending which are subject to great uncertainties.

The awesome fact is that despite a temporary leveling off in the rate of growth in Soviet military procurement, the Soviets consistently not only outspent the US throughout but produced far more missiles, planes, warships, tanks and other weapons than the US -- adding these to already huge stocks, as the charts released on Friday vividly demonstrate. Also, my testimony reported only on our estimates up to 1983. The slight improvement in overall Soviet economic performance, the number of new weapons ready for or being deployed, an aggressive and immense R&D effort, and continued expansion of weapons production facilities all suggest a return to historic rates of growth.

Detailed and comprehensive examinations of the Soviet military effort are presented to the Executive Branch and Congress throughout the year in a series of national intelligence estimates. There is little disagreement in the intelligence community with respect to either trends in or specifics of Soviet military capabilities, procurement, or weapons research and development -- the measures that really count. It is most unfortunate that testimony on the Soviet economy which we agreed to release to enhance public knowledge and understanding of our principal adversary is being misread and misused.